

**Introduced by Senator Margett**

February 22, 2006

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An act to add Section 8356.2 to the Education Code, relating to child care.

LEGISLATIVE COUNSEL'S DIGEST

SB 1421, as amended, Margett. Child care: CalWORKs recipients: fraud.

Existing law requires that child care be provided in various stages to recipients of benefits under the California Work Opportunity and Responsibility to Kids (CalWORKs) program. Existing law provides that the ~~first~~ 1st stage of child care begins upon the entry of a person into the CalWORKs program. Existing law provides that the ~~second~~ 2nd stage of child care begins when a county determines that the work or approved work activity of the recipient is stable or when a recipient is ~~transitioning~~ making the transition off of aid and child care is available through a local stage ~~two~~ 2 program. Existing law provides that the ~~third~~ 3rd stage of child care begins when a funded child care space becomes available for the child or children of the eligible CalWORKs recipient.

Existing law requires the State Department of Education to perform an error rate study to estimate the percentage of errors in the alternative payment and CalWORKs programs, and to report in writing to the Legislature designated information regarding the study. Existing law also requires the department to develop recommendations for the prevention of child care fraud and programmatic errors and the identification and collection of child care

overpayments, and report the recommendations to the Legislature by April 1, 2005. Existing law requires the department to post existing best practices for the prevention of fraud and overpayment considered in making those recommendations on the Internet Web site of the department, and requires child care contracts entered into on or after July 1, 2005, to implement those best practices.

~~This bill would require the State Department of Education, subject to approval by the State Board of Education, to establish a two-year 2-year pilot project, commencing no later than October 1, 2007, in the County of Los Angeles to identify, investigate, and seek the prosecution of potential incidents of fraud regarding second and third stage committed by recipients of stage 2 and 3 child care services under the CalWORKS. The bill would require the county welfare department of the County of Los Angeles that is responsible for administering the second and third stages of child care to, upon completion of the pilot project, prepare and submit to the Legislature a report, as specified, regarding investigations conducted pursuant to the pilot project, thereby imposing a state-mandated local program. The bill would require the department, in coordination with local agencies administer alternative payment programs and are under contract to provide stage two and three child care services, the Los Angeles County District Attorney's Office, and the Los Angeles County Department of Public Social Services, to develop a plan to establish the pilot project, as specified, no later than August 1, 2007. The bill would require the department, within 90 days of completing the pilot project, but no later than January 1, 2010, to submit a report to the Legislature that includes specified data elements regarding the operation and results of the pilot project. The bill would provide that implementation of these provisions is contingent upon the appropriation of funds in the annual Budget Act for that purpose.~~

This bill would make legislative findings and declarations regarding the need for special legislation.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 8356.2 is added to the Education Code,  
2 to read:

3 8356.2. (a) ~~The department, subject to approval by the state~~  
4 ~~board,~~ shall establish a two-year pilot project, *commencing no*  
5 *later than October 1, 2007,* in the County of Los Angeles to  
6 ~~investigate~~ *identify, investigate, and seek the prosecution of*  
7 ~~potential incidents of fraud regarding the second and third stages~~  
8 ~~of child care pursuant to this article.~~ *committed by recipients of*  
9 *stage two and three child care services under the CalWORKS*  
10 *program pursuant to this article.*

11 (b) *The department, in coordination with local agencies that*  
12 *administer alternative payment programs and are under contract*  
13 *to provide stage two and three child care services, the Los*  
14 *Angeles County District Attorney's Office, and the Los Angeles*  
15 *County Department of Public Social Services, shall develop a*  
16 *plan to establish the pilot project. The plan, including any*  
17 *contracts or memoranda of understanding, shall be completed no*  
18 *later than August 1, 2007, and shall include all of the following*  
19 *elements:*

20 (1) *Criteria to be used by agencies that administer alternative*  
21 *payment programs to identify suspected cases of fraud regarding*  
22 *stage two and three child care services.*

23 (2) *A restitution plan with procedures to govern cases that*  
24 *result in prosecutions, including a process whereby moneys*  
25 *recovered through the court process are returned to the*  
26 *appropriate agency.*

27 (3) *An evaluation plan to provide for a review of the cost of*  
28 *the pilot project and its overall effectiveness and for the*  
29 *identification of savings achieved as a result of the project with*  
30 *regard to stage two and three child care services provided in the*  
31 *County of Los Angeles.*

32 (4) *A description of the manner in which investigations of*  
33 *suspected fraud cases will be conducted, including, but not*  
34 *limited to, all of the following:*

1 (A) Whether the department will perform the investigations or  
2 contract with another agency to perform them.

3 (B) The manner in which the department, local agencies that  
4 administer alternative payment programs and are under contract  
5 to provide stage two and three child care services, the Los  
6 Angeles County District Attorney's Office, and the Los Angeles  
7 County Department of Public Social Services will exchange any  
8 necessary information, including, but not limited to, CalWORKs  
9 and child care case records, with the investigative agency for  
10 purposes of conducting the investigations.

11 (5) Criteria to be used by the investigative agency to  
12 determine which cases shall be submitted to the Los Angeles  
13 County District Attorney's Office for review and potential  
14 prosecution.

15 (6) Procedures governing the formation of a contract or  
16 memorandum of understanding, as necessary, between the  
17 investigative agency and the Los Angeles County District  
18 Attorney's Office to establish the referral process of cases for  
19 review and potential prosecution.

20 (7) The mechanisms to collect data and report outcomes of the  
21 pilot project, including, but not limited to, all of the following:

22 (A) The number and type of suspected fraud cases identified  
23 for investigation.

24 (B) The number and type of cases for which investigations are  
25 conducted.

26 (C) The result of each of the investigations conducted,  
27 including, but not limited to, the details of any fraud discovered  
28 in programs administered by the County of Los Angeles.

29 (D) The number of fraud cases referred to the Los Angeles  
30 County District Attorney's Office for review and potential  
31 prosecution.

32 (E) The outcome of cases referred to the Los Angeles County  
33 District Attorney's Office, including the total number of cases  
34 prosecuted, the number of cases for which restitution was  
35 ordered by the court, the amount of restitution ordered per case,  
36 and the amount of restitution received per case.

37 (F) The total actual cost of the pilot project, including a  
38 breakdown of the cost of work related to referral, investigation,  
39 and prosecution performed by all applicable agencies as part of  
40 the pilot project.

1 (G) Recommendations for possible extension of the pilot  
2 project and for improvements to the processes of identifying,  
3 investigating, and seeking the prosecution of potential incidents  
4 of fraud regarding stage two and three child care services.

5 (c) The department shall, within 90 days of completing the  
6 pilot project, but no later than January 1, 2010, submit a report  
7 to the Legislature that includes all of the data elements described  
8 in subparagraphs (A) to (G), inclusive, of paragraph (7) of  
9 subdivision (b).

10 (d) The implementation of this section is contingent upon the  
11 appropriation of funds in the annual Budget Act for that purpose.

12 ~~(b) It is the intent of the Legislature in enacting this section~~  
13 ~~that the pilot project established by the department pursuant to~~  
14 ~~subdivision (a) provide for increased communication and~~  
15 ~~coordination between the Child Development Division of the~~  
16 ~~department, the Office of the District Attorney for the County of~~  
17 ~~Los Angeles, and the county welfare department of the County of~~  
18 ~~Los Angeles that is responsible for administering the second and~~  
19 ~~third stages of child care pursuant to this article.~~

20 ~~(c) The county welfare department of the County of Los~~  
21 ~~Angeles that is responsible for administering the second and third~~  
22 ~~stages of child care pursuant to this article shall, upon completion~~  
23 ~~of the second year of the pilot project, prepare and submit to the~~  
24 ~~Legislature a report that includes, at a minimum, all of the~~  
25 ~~following information:~~

26 ~~(1) The number of cases for which investigations were~~  
27 ~~conducted pursuant to the pilot project.~~

28 ~~(2) The type of each case for which an investigation was~~  
29 ~~conducted pursuant to the pilot project.~~

30 ~~(3) The result of each of the investigations conducted pursuant~~  
31 ~~to the pilot project.~~

32 ~~(4) Recommendations for improvements to the process of~~  
33 ~~conducting investigations of potential incidents of fraud~~  
34 ~~regarding the provision of child care to CalWORKs recipients~~  
35 ~~pursuant to this article.~~

36 SEC. 2. The Legislature finds and declares that a special law  
37 is necessary and that a general law can not be made applicable  
38 within the meaning of Section 16 of Article IV of the California  
39 Constitution because of the number of potential incidents of  
40 fraud regarding child care within the County of Los Angeles.

1 SEC. 3. If the Commission on State Mandates determines that  
 2 this act contains costs mandated by the state, reimbursement to  
 3 local agencies and school districts for those costs shall be made  
 4 pursuant to Part 7 (commencing with Section 17500) of Division  
 5 4 of Title 2 of the Government Code.

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8 **CORRECTIONS:**

9 **Page 3.**

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